AGRICULTURAL OUTLOOK DIGEST

AOD-186

OUTLOOK 73

1973

Approved by the Outlook and Situation Board, March 29, 1973
Economic Research Service U.S. Department of Agriculture

FARM INCOME TO REACH $21 BILLION

USDA's March survey of farmers' planting intentions points to increased crop output this year. Also, a special post-harvest check of possible losses due to last fall's delayed harvest turns up a little more corn and soybeans actually produced than previously estimated.

Of course, many factors other than harvest delays and planting surveys have affected the outlook. Consumer demand for food has heated up, export demand for farm products has continued to boom, bottlenecks in the movement of farm foods have developed despite capacity utilization, the dollar has been devalued, and prices of most important farm products are up sharply. Also, USDA acted in late March to attract more acres into feed grain production.

Income Forecast.

With the higher commodity prices than previously anticipated, and considering the various moves to boost farm output, a key forecast for 1973 has been revised.

Realized net farm income may reach $21 billion, a new record. Earlier, a slight decline from last year's record $19.2 billion had been predicted.

Cash receipts from livestock and product marketings will be up $5 billion or more from 1972, based on sharply higher prices and slight increases in marketings. Crop receipts are forecast almost $4 billion higher, with both prices and marketings up substantially. Some offset to increased cash receipts will result from a drop of more than $1 billion in direct Government payments from the record $4 billion paid out in 1972.

Gross income realized by farmers will rise almost $8 billion and total $74 billion. Farm production expenses will show an unusually large increase of about $6 billion, due mainly to high costs of purchased feed, feeder livestock, and seed. Also, prices for inputs of nonfarm origin are rising more than they did in 1972, and the increase in planted acreage this year will require the use of more inputs.

The prospective new high in net realized income for 1973 will lift average per-farm earnings from farming by nearly $700 to about $7,500, also a record.

COMPONENTS OF FARM INCOME

	1969	1970	1971	1972	1973 (forecast)
	Billion dollars	*Billion dollars*	*Billion dollars*	*Billion dollars*	*Billion dollars*
Cash receipts from farm marketings	48.1	50.5	53.1	58.5	67.3
+Nonmoney income and Gov't. payments	7.4	7.4	7.0	7.9	6.7
Realized gross farm income	55.6	57.9	60.1	66.4	74.0
- Farm production expenses	38.8	41.1	44.0	47.2	53.0
Realized net farm income	16.8	16.8	16.1	19.2	21.0

On March 29 President Nixon announced a ceiling on the retail prices of beef, veal, pork, and lamb and mutton. The ceilings became effective immediately covering the retail and wholesale levels. They do not apply directly to live animal prices.

Ceiling prices are based on the 30-day period ended March 28. Each firm determines the ceiling price for each item below which 90 percent of its sales were made.

Forecasts in this issue were developed prior to the price ceiling announcement.

FEED GRAIN PROGRAM CHANGED

With the March 1 indication of almost 122 million acres to be planted to feed grains in 1973, production would have totaled 209 million tons, 5 percent above 1972. Adding this to a reduced carryover of 37 million tons would have left 1973/74 supplies close to this season's, implying a continued tight supply-demand situation.

Thus, USDA has announced a further reduction in set-aside requirements under the feed grain program. This will free an estimated 13.5 million acres for plantings to grain, other crops, and for forage. Perhaps 2½ to 3½ million acres of this amount could be planted to corn.

The required set-aside for full compliance in the feed grain program was changed from 25 percent to 10 percent of a producer's feed grain base. Provisions for participants who had decided not to comply fully with the program remain unchanged.

1973 ACREAGE TO RISE

A glimpse into 1973 crop possibilities emerged from the mid-March USDA survey of planting intentions.

The survey showed farmers are gearing up for expanded output in response to very bullish markets and the easing of Government planting restraints. Farmers' replies suggested 15 million more acres nationally than last year's 199 million planted to 16 major crops.

Feed grain expansion, largely in corn, accounts for 6½ million of the added acres. Soybeans represent another 6.8 million.

Food grain area increases 3 million acres in this scenario, indicating gains for spring wheat and rice output in response to world demand and program encouragement.

With record tobacco prices and marketings, producers indicate a moderate acreage expansion. Potato producers report only slightly larger planting for the big fall crop, and cotton growers plan some decreases.

The following table gives an indication of the crop production that could result if the recent trends in yields are fitted to the acreage farmers forecast based on the March 1 intentions report:

Crop	Indicated 1973 acreage	Change from 1972	Projected 1973 production[1]	Change from 1972
	Million acres	*Percent*	*Million units*	*Percent*
FEED GRAINS	121.7	+6		
Corn	71.6	+7	5,772 bu.	+4
Sorghums	18.6	+6	831 bu.	+1
Oats[2]	20.5	+1	835 bu.	+20
Barley[2]	11.0	+4	458	+8
FOOD GRAINS, excl. rye	60.2	+6		
All wheat	58.2	+6	1,732 bu.	+12
Winter wheat[2]	42.8	+1	1,278 bu.	+8
Durum wheat	3.1	+18	454 bu.	+27
Other spring wheat	12.3	+22		
Rice	2.0	+10	95 cwt.	+12
OILSEED	56.6	+9		
Soybeans	53.8	+14	1,500 bu.	+17
Peanuts	1.5	0	3,322 lb.	+1
Flaxseed	1.3	+10	16 bu.	+14
COTTON	13.1	-7	12.2 bales	-11
TOBACCO	0.90	+7	1,885 lb.	+8
Total of 16 crops surveyed... March 1	214	+8		

[1] Assumes recent yield trends and normal growing conditions. [2] December 1972 estimates. [3] Includes sugar beets, potatoes, dry edible beans, and dry edible peas; excludes winter wheat.

WHEAT SITUATION EASING

Farmers indicated spring wheat plantings of 15.4 million acres, 21 percent above last year's level, with Durum acreage up 18 percent and other spring wheat 22 percent higher. These planting intentions were 5 percent higher than January indications, reflecting spring wheat growers' response to elimination of required set-aside. The 1973 Durum and other spring wheat crops could total around 455 million bushels, a fourth larger than last year.

The 1972 winter wheat crop was estimated in December at 1,278 million bushels, but subsequent elimination of required set-aside is expected to increase the rate of winter wheat harvest from the December estimate of 88 percent. With winter wheat generally in good condition, the winter crop could exceed the estimate of last December.

Thus, the total wheat harvest could be 14 percent above 1972 and around 100 million bushels above estimated 1973/74 demand, lifting carryover in the summer of 1974 by this amount over the 440 million bushels forecast for this summer.

This suggests prices may continue to ease with new crop harvests. On balance, 1973/74 prices would be strong, averaging somewhat below this season but substantially above other recent years. Prices will continue to be very responsive to world weather conditions and food needs. Prices of Durum and Hard Red Spring in the season ahead are apt to continue lower than the winter classes.

Rice Expands

Rice producers indicated a 1973 seeded acreage of 2 million acres, 10 percent above last year. This should result in 95 million cwt. of rice, 12 percent more than last year. With smaller beginning stocks, the 1973/74 supply would total over 100 million cwt., up moderately from 1972/73.

Recheck Boosts Late Harvest

The wrapup survey of 1972 corn, sorghum, and soybean output appended to the March planting intentions report showed yields a little higher than earlier anticipated. Corn and soybean production estimates rose to 5.55 billion and 1.28 billion bushels, but sorghum dropped to 822 million bushels. Although quality of these crops was lower, the Nation's sodden fields yielded an average 97 bushels of corn per acre, 61 bushels of sorghums, and 28 bushels of soybeans—all new highs—a tribute to modern farming capabilities and good growing weather.

Compared with the January estimate of 1972 production, the March survey found 79 million more bushels of corn, 7 million more bushels of soybeans, and 5 million fewer bushels of sorghum.

FARMERS TURN TO SOYBEANS; COTTON OUTPUT TO FALL

Soybean supplies for the current 1972/73 marketing year are estimated at 1.356 million bushels, about 6 percent above last year. Total use is estimated about equal to production, so carryover next September will be low. Farmers' prices have been at record levels.

In March, farmers indicated plans to plant nearly 54 million acres to soybeans this spring, about 7 million acres above 1972. With recent Feed Grain Program changes, however, acreage could top 54 million. Increases over 1972 are indicated for all major producing regions. The 1973 production, from March indications, would be a record 1.5 billion bushels, 17 percent above 1972. This would boost total 1973/74 supplies by around 200 million bushels over a year earlier.

Based on these early indications, the extremely tight supply situation may ease. Although use during the coming crop year is expected to expand, the larger supply in 1974 would provide for some reserve and help temper upward price pressures.

Cotton producers plan to plant 13 million acres to the 1973 upland crop, 1 percent above January intentions but 7 percent below 1972 plantings of 13.9 million. Smaller prospective plantings primarily reflect the 13-percent cut in the national base acreage allotment and the encouragement to plant other commodities, notably soybeans, despite continuing attractive cotton prices. Intended acres are lower in all regions.

Output could drop 1½ million bales below 1972, to 12 million bales. However, this should more than adequately satisfy prospective disappearance, so stocks may increase moderately.

MORE BEEF, PORK

Beef production rose 2 percent last year, and another 2 to 3 percent increase is in prospect for 1973. More cattle are being fed and placements on feed continue large. So far this year, the number of cattle slaughtered under Federal inspection has been up 3.5 percent.

In late March, Choice steers at Omaha were around $45 per 100 pounds. Prices in the spring are expected to remain substantially above year-earlier levels although somewhat below the recent highs. Strong consumer demand and lagging pork and chicken output in the first half will continue to support cattle markets.

Hogs slaughter fell 10 percent last year with the declines thoughout the year. Slaughter will be up a little this year, despite small reductions in the first half. So far this year, pork output under Federal inspection has been down 6 percent. However, the hog production cycle is now turning upward.

Prices of barrows and gilts at 7 markets in early March topped $39.50, up $12 from fall lows. But prices declined sharply late in the month. Renewed strength is expected in late spring and early summer, although the high for the year probably already has occurred. Prices will generally decline from summer to fall.

LESS DAIRY OUTPUT

Milk production last year rose 1½ percent. So far in 1973, it has been down slightly due to higher feed costs, poor quality roughage, and short feed supplies in several key areas.

Milk prices to farmers in early 1973 are up 7 percent from a year earlier. For all of 1973, prices of manufacturing milk likely will average above the new dairy price support level of $5.29 per cwt. Higher prices will lift dairy farmers' gross cash receipts to about $7½ billion, up over 5 percent from 1972.

Retail dairy product prices in January were up nearly 3 percent, and for all of 1973 likely will average more than 3 percent above last year. After stable prices since late December, wholesale cheese prices rose in March to new records as market demand outpaced production. The recent changes in support purchase levels which favor cheese relative to butter and nonfat dry milk should encourage a shift from milk to cheese.

TURKEY PRICES UP

Turkey meat output has been up sharply so far this year, but in response to very strong demand and resumption of USDA turkey purchases for the School Lunch Program, prices have jumped.

Production will dip below year-earlier levels in summer, but then rise above during the main marketing season of September-December. Relatively high red meat prices, increased disposable incomes, and bigger demand for turkeys for further processing will support turkey prices above second-half 1972 levels.

Fewer Broilers Marketed

Broiler meat production for the first half of 1973 will be down. January-February output was up 1 percent, but chick placements for marketings through early May are down around 6 percent. Higher broiler prices and an expected easing of feed prices probably will stimulate producers to increase placements for slaughter late in the year.

Broiler prices rose sharply in early 1973 despite a small rise in output. Wholesale markets in February averaged 9-10 cents a pound above February 1972. However, prices likely will decline in the summer as supplies of broilers and meat animals increase.

Eggs Fall

Egg output was down 6 percent in January-February and will stay below 1972 levels through most of 1973. Egg prices increased sharply in late 1972 and early 1973 from their depressed year-earlier levels. Prices will continue strong but will decline as usual after the Easter holiday demand is filled, and then rise seasonally in the summer.

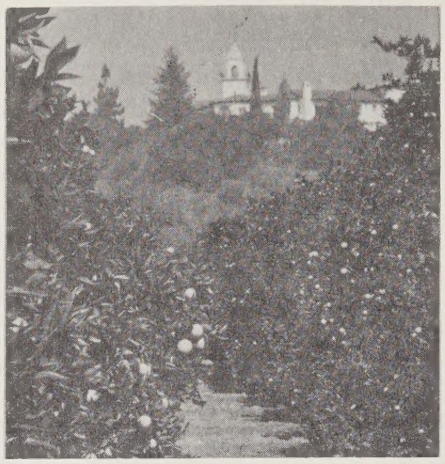
MORE ORANGES, FEWER APPLES

Total output of all citrus crops rose to an estimated 13.7 million tons for 1972/73, 14 percent above last season's record harvest. The orange crop is estimated at 225 million boxes, 18 percent above last season. Prices of fresh California and Arizona oranges, however, have been well above year-earlier levels, reflecting smaller supplies of Navel oranges.

Grapefruit supplies, estimated at 63.6 million boxes, are down only slightly from last year's record crop. While movement into domestic marketing channels appears to be lagging, export demand remains strong. U.S. grapefruit prices have averaged near last year's levels in recent months and may remain there if exports continue large.

Lemon supplies are expected to total a record 21.2 million boxes, 27 percent above last season, but average returns to growers in February were above a year ago.

Storage stocks of fresh apples are 18 percent below a year ago, reflecting the smaller harvest last fall and strong demand. Average U.S. prices to growers for apples for fresh use have been well above year-earlier levels all season and appear to be holding firm.



Vegetable Supplies Tight; Potato Markets Strong

Winter vegetable production appears to be moderately lower than a year ago, and fresh vegetable prices have been strong. Consequently, Mexican vegetable imports, mostly tomatoes, onions, peppers, and cucumbers, have been heavier this season. Increases in tomato supplies have been reflected in lower prices.

Supplies of canned vegetables are the smallest in several seasons, and wholesale prices are up moderately. Frozen vegetable supplies were 2 percent above a year earlier as of the first of March. Potato stocks were down 16 percent; stocks of potato products were down 3 percent from the record levels a year earlier.

Despite the highest prices for potatoes since 1964, grower intentions in March were to plant only 1 percent more fall crop acreage in 1973. Spring potato acreage in States other than California is down 3 percent, and summer potato plantings will be 2 percent less than a year ago if current intentions are carried out.

Potato prices temporarily could be under some pressure as heavier marketings from a prospective bigger spring acreage in California materialize.

Sweetpotato acreage is expected to be 1 percent less this season. If yields and production are average, production in 1973 would be 3 percent below a year ago. Prices are likely to remain close to the high levels of 1972/73. Processor demand is expected to be strong this fall.

Intended plantings of dry beans are expected to be 8 percent less than a year ago, despite relatively high prices during the past 2 years. Dry beans must compete for land against unusually strong prices for grains and soybeans this year. Increased lima plantings are expected in California.

MORE TOBACCO

Farmers intend to set 6.6 percent more tobacco acreage this year—more flue-cured but a little less burley. Based on average yield with allowance for trend and the restraining effect of poundage quotas, total tobacco output would be 8 percent greater. Carryin stocks are estimated 4 percent lower for 1973/74. This gives a tentative supply about the same as this season.

Prospective acreage of flue-cured is 11 percent more this year; the crop may be near the effective poundage quota which is 14 percent greater. With smaller carryover about balancing the 1973 crop, the total supply would be slightly larger.

With a smaller farm quota, burley growers expected to set 1 percent less acreage. This would result in about the same size crop as last year. With little change indicated in carryover and crop, the total supply remains about the same.

A HOT COMMODITY

This year's wool market opened on the hottest note since the days of the Korean War. Buyers—in a stampede to get whatever spot wools were available and also to contract for delivery around the important spring shearing dates—reportedly have already established control over as much as two-thirds of the annual U.S. clip.

Grower prices have jumped sharply and likely will continue firm for wool delivered this spring. Although prices may weaken by this fall and winter, prices for the year will average sharply above 1972's estimated 35 cents a pound. Also, prices are likely to be above the Wool Act incentive price of 72 cents, meaning no Government payments to sheep producers on 1973 wool marketings.

Reduced commercial stocks of raw wool and lower prospective output are keeping the prices strong. Mill demand for raw wool is up, with consumer demand for textiles improved, and further exports of wool tops expected. For the third consecutive year, foreign wool prices have continued high relative to prices in the United States, so U.S. imports of wool have declined and exports have increased.